

DES MOINES COUNTY

Independent Auditors' Reports  
Basic Financial Statements  
and Supplementary Information  
Schedule of Findings and Questioned Costs

June 30, 2007

# DES MOINES COUNTY

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# DES MOINES COUNTY

## Officials (Before January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Edgar A. Blow	Board of Supervisors	January 2007
Timothy E. Hoschek	Board of Supervisors	January 2009
Robert (Bob) Beck	Board of Supervisors	January 2009
Carol S. Copeland	County Auditor	January 2009
Brenda A. Buck	County Treasurer	January 2007
Kathryn S. Waterhouse	County Recorder	January 2007
Mike Johnstone	County Sheriff	January 2009
Patrick C. Jackson	County Attorney	January 2007
Michael Anderson	County Assessor	January 2010

## (After January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeff M. Heland	Board of Supervisors	January 2011
Timothy E. Hoschek	Board of Supervisors	January 2009
Robert (Bob) Beck	Board of Supervisors	January 2009
Carol S. Copeland	County Auditor	January 2009
Brenda A. Buck	County Treasurer	January 2011
Kathryn S. Waterhouse	County Recorder	January 2011
Mike Johnstone	County Sheriff	January 2009
Patrick C. Jackson	County Attorney	January 2011
Michael Anderson	County Assessor	January 2010



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## TD&T Financial Group, P.C.

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Cedar Rapids  
Centerville  
Fairfield  
Oskaloosa  
Ottumwa  
Pella  
Sigourney

### Independent Auditors' Report

To the Officials of Des Moines County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Des Moines County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Des Moines County at June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2008 on our consideration of Des Moines County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Des Moines County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2005 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

*TDE&T Financial Group, P.C.*

Mt. Pleasant, Iowa  
March 21, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Des Moines County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of Des Moines County is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 1.6%, or approximately \$383,000 from fiscal 2006 to fiscal 2007. Property tax decreased approximately \$429,000, operating grants, contributions and restricted interest increased approximately \$669,000, capital grants, contributions and restricted interest decreased approximately \$163,000, charges for services decreased approximately \$190,000, and local option sales tax increased approximately 285,000.
- Program expenses were 8.0%, or approximately \$1,743,000, less in fiscal 2007 than in fiscal 2006. Roads and transportation decreased approximately \$1,955,000.
- The County's net assets increased 12.0%, or approximately \$3,368,000, from June 30, 2006 to June 30, 2007.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Des Moines County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Des Moines County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Des Moines County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

## REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Des Moines County's combined net assets increased from \$28.0 million to \$31.5 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$19,696	19,885
Capital assets	24,513	21,670
Total assets	44,209	41,555
Long-term liabilities	1,342	1,470
Other liabilities	11,369	12,037
Total liabilities	12,711	13,507
Net assets:		
Invested in capital assets	24,513	21,670
Restricted	4,498	2,913
Unrestricted	2,487	3,465
Total net assets	\$31,498	28,048

Net assets of Des Moines County's governmental activities increased by about twelve percent (\$28.0 million compared to \$31.5 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—decreased from approximately \$3,465,000 at June 30, 2006 to \$2,487,000 at the end of this year, a decrease of 28.2%.

This decrease of approximately \$978,000 in unrestricted net assets was mainly a result of decreasing the levy for property taxes.



Changes in Net Assets of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 2,165	2,355
Operating grants, contributions and restricted interest	6,861	6,192
Capital grants, contributions and restricted interest	192	355
General revenues:		
Property tax	10,335	10,764
Penalty and interest on property tax	146	157
State tax credits	461	496
Local option sales tax	1,628	1,343
Grants and contributions not restricted to specific purposes	222	215
Unrestricted investment earnings	679	498
Other general revenues	667	598
Total revenues	<u>23,356</u>	<u>22,973</u>
Program expenses:		
Public safety and legal services	5,202	4,804
Physical health and social services	2,325	2,207
Mental health	3,507	3,660
County environment and education	1,570	1,116
Roads and transportation	2,226	4,181
Governmental services to residents	703	910
Administration	4,418	4,687
Interest on long term debt	4	30
Non-program	33	137
Total expenses	<u>19,988</u>	<u>21,732</u>
Increase in net assets	3,368	1,241
Net assets beginning of year, as restated	<u>28,130</u>	<u>26,807</u>
Net assets end of year	<u>\$31,498</u>	<u>28,048</u>

Des Moines County's governmental activities net assets increased approximately \$3,368,000 during the year. Revenues for governmental activities increased approximately \$383,000 over the prior year, and property tax revenue decreased from the prior year approximately \$429,000, or 4.0 percent.

The County decreased property tax rates for 2007 by an average of 6 percent creating a decrease in property tax revenue. Based on little change in the levy rates, and a slight increase in property values, property tax revenue is budgeted to increase by \$60,050 next year.

The cost of all governmental activities this year was \$20.0 million, compared to \$21.7 million last year. However, as shown in the Statement of Activities, the amount taxpayers ultimately financed for these activities was only \$10.8 million because some of the cost was paid by those directly benefited from the programs (\$2,165,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,053,000). Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, increased in 2007 from approximately \$8,902,000 to \$9,218,000, principally due to an increase in grants in conservation and for the new health clinic. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$10,140,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Des Moines County completed the year, its governmental funds reported a combined fund balance of \$8.1 million, an increase of approximately \$480,000 over last year. The increase in fund balance is primarily attributable to a decrease in budgeted expenditures. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased and expenditures increased. The ending fund balance showed a decrease of \$656,000 from the prior year to approximately \$4,319,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$3,692,000, a decrease of 8% from the prior year. This is attributed to the completion of a new residential care facility. The Mental Health Fund balance at year end increased approximately \$800,000 over the prior year to \$1,657,000.
- Secondary Roads Fund expenditures decreased approximately \$303,000 from the prior year, due principally to a decrease in new construction, new equipment, and rock surfacing. The Secondary Roads Fund ending balance of \$1,454,553 is an increase of approximately \$627,000 over the prior year.
- The Debt Service Fund expenditures increased approximately \$58,000 due to the repayment of general obligation bonds. The Debt Service Fund ending balance of approximately \$9,800 is an increase of about \$5,000 over the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Des Moines County amended its budget two times. The amendments were made on November 6, 2006 and May 1, 2007 and left revenues unchanged and increased expenditures by \$1,458,400 due to conversion services for GIS, jail repairs, courthouse improvements, HWY 79/Danville Rd/Roosevelt Road HMA overlay project, transfer of narcotics task force funds to the City of Burlington, severance pay and benefits for 3 employees, the Drug Endangered Children's grant, and to fund the new delinquent fine/collections program.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, Des Moines County had approximately \$24.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2,843,000, or 13.1%, over last year.

Capital Assets of Governmental Activities at Year End (Express in Thousands)		
	June 30,	
	2007	2006
Land	\$ 4,498	\$ 4,465
Construction in progress	1,807	521
Buildings and improvements	4,989	4,996
Equipment and vehicles	2,671	2,618
Infrastructure	10,548	9,070
Total	\$24,513	\$21,670

The County had depreciation expense of \$2,450,164 in FY07 and total accumulated depreciation of \$22,575,763 at June 30, 2007.

The County's fiscal year 2007 capital budget included \$4,150,700 for capital projects, principally for roadway construction, Big Hollow lake project and 4<sup>th</sup> floor remodeling in the Courthouse. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

## **Long-Term Debt**

At June 30, 2007, Des Moines County had \$725,000 in general obligation capital loan notes outstanding compared to \$890,000 at June 30, 2006. Debt decreased as a result of repayment of some of the debt.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Des Moines County's outstanding general obligation debt is significantly below its constitutional debt limit of \$92 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Des Moines County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's population declined with an estimated percent change of 3.5% from April 1, 2000 to July 1, 2006 while the State's population increased 1.9%. Unemployment in the County now stands at 6.5 percent versus 5.5 percent a year ago. This compares with the State's unemployment rate of 3.6 percent and the national rate of 4.9 percent. Iowa non-farm employment rose to 1,522,900 jobs.

These indicators were taken into account when adopting the budget for fiscal year 2008. Budgeted revenues are expected to increase by approximately \$1.7 million. This is due to anticipated grants and donations for the Vision Iowa Grant projects.

Budgeted disbursements are expected to increase by approximately \$859,137. This is due to increases in fuel costs, construction at Big Hollow and land acquisitions for the bike trails.

If these estimates are realized, the County's budgetary operating balance is expected to remain unchanged.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Des Moines County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Des Moines County Auditor's Office, 513 N. Main Street, Burlington, Iowa 52601.

## DES MOINES COUNTY

Statement of Net Assets  
June 30, 2007

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 8,286,424
Receivables:	
Property tax:	
Delinquent	56,307
Succeeding year	10,080,000
Interest and penalty on property tax	176,434
Accounts	39,135
Accrued interest	105,360
Due from other governments	860,614
Inventories	91,622
Capital assets (net of accumulated depreciation)	24,513,374
Total assets	<u>44,209,270</u>
<b>Liabilities</b>	
Accounts payable	576,432
Salaries and benefits payable	195,844
Accrued interest payable	2,822
Renter's deposits	1,200
Due to other governments	512,686
Deferred revenue:	
Succeeding year property tax	10,080,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation capital loan notes	170,000
Compensated absences	342,438
Portion due or payable after one year:	
General obligation capital loan notes	555,000
Compensated absences	274,998
Total liabilities	<u>12,711,420</u>
<b>Net Assets</b>	
Invested in capital assets	24,513,374
Restricted for:	
Supplemental levy purposes	860,446
Mental health purposes	1,653,716
Secondary roads purposes	1,469,983
Debt service	9,769
Other purposes	504,018
Unrestricted	2,486,544
Total net assets	<u>\$ 31,497,850</u>

See notes to financial statements.

## DES MOINES COUNTY

Statement of Activities  
Year Ended June 30, 2007

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
Functions/Programs:		Expenses	Charges for Service	Interest	Interest	
Governmental activities:						
Public safety and legal services	\$	5,202,465	1,363,094	59,070	-	(3,780,301)
Physical health and social services		2,324,769	105,302	856,522	-	(1,362,945)
Mental health		3,506,996	24,279	-	-	(3,482,717)
County environment and education		1,569,735	-	2,432,220	191,854	1,054,339
Roads and transportation		2,225,698	13,587	2,706,257	-	494,146
Government services to residents		702,665	618,847	200,488	-	116,670
Administration		4,418,099	-	-	-	(4,418,099)
Interest on long term debt		4,412	12,985	-	-	8,573
Non-program		33,327	27,220	606,125	-	600,018
Total	\$	19,988,166	2,165,314	6,860,682	191,854	(10,770,316)
General Revenues:						
Property and other county tax levied for:						
General purposes						10,139,827
Debt service						194,933
Penalty and interest on property tax						145,686
State tax credits						461,105
Local option sales tax						1,628,126
Grants and contributions not restricted to specific purposes						222,685
Unrestricted investment earnings						679,086
Gain on sale of property and equipment						84,429
Miscellaneous						582,352
Total general revenues						14,138,229
Change in net assets						3,367,913
Net assets beginning of year, as restated (see note 12)						28,129,937
Net assets end of year	\$					31,497,850

See notes to financial statements.

## DES MOINES COUNTY

Balance Sheet  
Governmental Funds  
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<u>Assets</u>				
Cash and pooled investments	\$ 4,163,605	2,150,930	453,841	1,222,815
Receivables:				
Property tax:				
Delinquent	36,494	8,871	10,024	-
Succeeding year	6,858,000	1,667,000	1,383,000	-
Interest and penalty on property tax	176,434	-	-	-
Accounts	28,026	8,901	-	1,958
Accrued interest	105,168	-	-	-
Due from other governments	537,417	32,817	22,720	265,512
Inventories	-	-	-	91,622
Total assets	\$ 11,905,144	3,868,519	1,869,585	1,581,907
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 248,369	154,594	12,994	74,846
Renters' deposits	-	-	-	-
Salaries and benefits payable	136,276	6,106	4,872	48,569
Due to other governments	133,595	375,150	-	3,939
Deferred revenue:				
Succeeding year property tax	6,858,000	1,667,000	1,383,000	-
Other	210,119	8,648	9,621	-
Total liabilities	7,586,359	2,211,498	1,410,487	127,354
Fund balances:				
Reserved for:				
Supplemental levy purposes	850,419	-	-	-
Hawk - I Medicaid administration	13,453	-	-	-
Debt service	-	-	-	-
Cemetery levy	262	-	-	-
Unreserved, reported in:				
General fund	3,454,651	-	-	-
Special revenue funds	-	1,657,021	459,098	1,454,553
Capital projects fund	-	-	-	-
Total fund balances	4,318,785	1,657,021	459,098	1,454,553
Total liabilities and fund balances	\$ 11,905,144	3,868,519	1,869,585	1,581,907

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
9,746	190,018	95,469	8,286,424
918	-	-	56,307
172,000	-	-	10,080,000
-	-	-	176,434
-	-	250	39,135
-	-	192	105,360
-	-	2,148	860,614
-	-	-	91,622
182,664	190,018	98,059	19,695,896

-	20,841	64,788	576,432
-	-	1,200	1,200
-	-	21	195,844
-	-	-	512,684
172,000	-	-	10,080,000
895	-	-	229,283
172,895	20,841	66,009	11,595,443

-	-	-	850,419
-	-	-	13,453
9,769	-	-	9,769
-	-	-	262
-	-	-	3,454,651
-	-	32,050	3,602,722
-	169,177	-	169,177
9,769	169,177	32,050	8,100,453
182,664	190,018	98,059	19,695,896



## DES MOINES COUNTY

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2007

<b>Total governmental fund balances (page 13)</b>	<b>\$ 8,100,453</b>
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*Amounts reported for governmental activities in the Statement of Net Assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$47,089,137 and the accumulated depreciation is \$22,575,763.	24,513,374
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	229,283
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Long-term liabilities, including compensated absences payable, capital loan notes payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,345,260)</u>
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<b>Net assets of governmental activities (page 11)</b>	<b><u><u>\$ 31,497,850</u></u></b>
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## DES MOINES COUNTY

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2007

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 6,990,565	1,678,648	1,472,757	-
Local option sales tax	488,438	-	325,625	814,063
Interest and penalty on property tax	146,154	-	-	-
Intergovernmental	3,352,542	2,701,238	59,469	2,822,180
Licenses and permits	44,313	-	-	2,135
Charges for service	868,535	-	1,574	44
Use of money and property	700,538	-	-	-
Miscellaneous	383,803	112,542	-	23,455
Total revenues	12,974,888	4,492,428	1,859,425	3,661,877
Expenditures:				
Operating:				
Public safety and legal services	4,936,097	-	155,759	-
Physical health and social services	2,193,961	-	-	-
Mental health	-	3,692,161	-	-
County environment and education	1,364,158	-	350,219	-
Roads and transportation	-	-	22,208	3,004,145
Governmental services to residents	674,304	-	-	-
Administration	4,293,517	-	41,922	-
Non-program	-	-	-	-
Debt service	-	-	-	-
Capital projects	13,025	-	59	1,445,405
Total expenditures	13,475,062	3,692,161	570,167	4,449,550
Excess (deficiency) of revenues over (under) expenditures	(500,174)	800,267	1,289,258	(787,673)
Other financing sources (uses):				
Sale of capital assets	8,150	-	-	-
Operating transfers in	103,257	-	-	1,414,770
Operating transfers out	(267,278)	-	(1,225,705)	-
Total other financing sources (uses)	(155,871)	-	(1,225,705)	1,414,770
Net change in fund balances	(656,045)	800,267	63,553	627,097
Fund balances beginning of year	4,974,830	856,754	395,545	827,456
Fund balances end of year	\$ 4,318,785	1,657,021	459,098	1,454,553

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Special Revenue	Total
194,933	-	-	10,336,903
-	-	-	1,628,126
-	-	-	146,154
8,453	-	41,929	8,985,811
-	-	-	46,448
-	-	7,993	878,146
-	-	27,276	727,814
-	-	6,368	526,168
203,386	-	83,566	23,275,570

-	-	27,681	5,119,537
-	-	-	2,193,961
-	-	-	3,692,161
-	-	-	1,714,377
-	-	-	3,026,353
-	-	28,020	702,324
-	-	-	4,335,439
-	-	-	-
198,327	-	-	198,327
-	278,857	83,609	1,820,955
198,327	278,857	139,310	22,803,434
5,059	(278,857)	(55,744)	472,136

-	-	-	8,150
-	-	11,500	1,529,527
-	-	(36,544)	(1,529,527)
-	-	(25,044)	8,150

5,059	(278,857)	(80,788)	480,286
4,710	448,034	112,838	7,620,167
9,769	169,177	32,050	8,100,453

## DES MOINES COUNTY

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2007

Net change in fund balances - Total governmental funds (page 15) \$ 480,286

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 5,135,171	
Depreciation expense	<u>(2,450,164)</u>	2,685,007

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 76,279

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	(3,452)	
Other	<u>(468)</u>	(3,920)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 165,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(37,372)	
Interest on long-term debt	<u>2,633</u>	<u>(34,739)</u>

**Change in net assets of governmental activities (page 12) \$ 3,367,913**

## DES MOINES COUNTY

Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2007

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,625,610
Other County officials	245,653
Receivables:	
Property tax:	
Delinquent	147,570
Succeeding year	33,023,000
Accounts	28,097
Special assessments:	
Current	70,327
Future	79,731
Drainage assessments:	
Current	3,673
Accrued interest	540
Due from other governments	8,509
Total assets	<u>36,232,710</u>

Liabilities

Accounts payable	6,091
Salaries and benefits payable	9,417
Due to other governments	35,981,444
Trusts payable	121,801
Compensated absences	113,957
Total liabilities	<u>36,232,710</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

# DES MOINES COUNTY

## Notes to Financial Statements June 30, 2007

### Note 1 – Summary of Significant Accounting Policies

Des Moines County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Des Moines County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appointed representatives to the following boards and commissions: Des Moines County Assessor's Conference Board, Des Moines County Emergency Management Commission, Des Moines County Regional Solid Waste Commission, Des Moines County Joint E-911 Service Board, South Iowa Area Crime Commission and Southeast Iowa Regional Planning Commission. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Des Moines County/City of Burlington Health Care Plan (Plan). The Plan was developed as the result of a 28E agreement between Des Moines County and the City of Burlington. Further details of this relationship are provided in Note 10.

(continued)

# DES MOINES COUNTY

## Notes to Financial Statements (Continued)

June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets* consists of capital assets, net of accumulated depreciation.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor special revenue funds.

(continued)

# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

#### Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the following funds:

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

### C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

(continued)



# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

(continued)

# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represent remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

(continued)

# DES MOINES COUNTY

## Notes to Financial Statements (Continued)

June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, buildings, and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20 – 50
Improvements other than buildings	20 – 50
Infrastructure	10 – 65
Equipment	3 – 20
Vehicles	5 – 15

(continued)

# DES MOINES COUNTY

## Notes to Financial Statements (Continued)

June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. Accumulated sick leave is paid at 50% upon retirement if the retiree meets IPERS requirements. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(continued)

# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts appropriated for the Narcotics Task Force and Emergency Management departments.

### Note 2 – Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$287,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 3 – Due From and Due to Other Funds

There were no interfund payables or receivables as of June 30, 2007.

### Note 4 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General: Geographic Information System	General Basic	\$ 62,437
General: Courthouse Security	General: Emergency Water Response Team	4,276
General: Narcotics Task Force	Special Revenue: SEINT – To be forfeited funds	36,544
Special Revenue: Secondary Roads	General	189,065
	Special Revenue: Rural Services	1,225,705
Conservation Reserve	General	<u>11,500</u>
Total		\$ <u>1,529,527</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 5 – Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 4,498,316	-	-	4,498,316
Construction in progress	49,484	101,818	-	151,302
Construction in progress, road network	520,080	1,135,591	-	1,655,671
Total capital assets not being depreciated	5,067,880	1,237,409	-	6,305,289
Capital assets being depreciated:				
Buildings	6,734,644	131,204	-	6,865,848
Improvements other than buildings	1,152,730	118,065	-	1,270,795
Equipment and vehicles	6,938,983	842,548	(537,101)	7,244,430
Infrastructure, road network	22,168,247	2,914,562	-	25,082,809
Infrastructure, other	319,966	-	-	319,966
Total capital assets being depreciated	37,314,570	4,006,379	(537,101)	40,783,848
Less accumulated depreciation for:				
Buildings	1,830,938	222,175	-	2,053,113
Improvements other than buildings	1,060,360	34,515	-	1,094,875
Equipment and vehicles	4,320,720	757,309	(504,763)	4,573,266
Infrastructure, road network	13,405,545	1,429,766	-	14,835,311
Infrastructure, other	12,799	6,399	-	19,198
Total accumulated depreciation	20,630,362	2,450,164	(504,763)	22,575,763
Total capital assets being depreciated, net	16,684,208	1,556,215	(32,338)	18,208,085
Governmental activities capital assets, net	\$ 21,752,088	2,793,624	(32,338)	24,513,374

Depreciation expense was charged to the following functions:

<b>Governmental activities:</b>	
Public safety and legal services	\$ 219,004
Physical health and social services	24,164
Mental health	132,114
County environment and education	59,706
Roads and transportation	1,866,476
Governmental services to residents	341
Administration	144,821
Non-program	3,538
Total depreciation expense – governmental activities	\$ 2,450,164

# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 6 – Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 133,595
Special Revenue:		
Mental Health	Services	375,150
Secondary Roads	Services	3,939
		<u>379,089</u>
Total for governmental funds		\$ <u>512,684</u>
Agency:		
County Assessor	Collections	\$ 1,387,475
Schools		17,872,398
Community Colleges		1,109,023
Corporations		13,901,427
Auto License and Use Tax		733,250
All other		<u>977,871</u>
Total for agency funds		\$ <u>35,981,444</u>

### Note 7 – Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>General Obligation Capital Loan Notes</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance beginning of year	\$ 890,000	580,064	1,470,064
Increases	-	442,647	442,647
Decreases	<u>165,000</u>	<u>405,275</u>	<u>570,275</u>
Balance end of year	\$ <u>725,000</u>	<u>617,436</u>	<u>1,342,436</u>
Due within one year	\$ <u>170,000</u>	<u>342,438</u>	<u>512,438</u>

(continued)



# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 7 – Changes in Long-Term Liabilities (Continued)

#### Notes Payable

A summary of the County's June 30, 2007 general obligation capital loan note indebtedness is as follows:

<u>Year ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	3.00 and 3.65	\$ 170,000	25,570	195,570
2009	3.25 and 3.70	180,000	20,210	200,210
2010	3.75	185,000	14,158	199,158
2011	3.80	<u>190,000</u>	<u>7,220</u>	<u>197,220</u>
Total		<u>\$ 725,000</u>	<u>67,158</u>	<u>792,158</u>

During the year ended June 30, 2007, the County retired \$165,000 of general obligation capital loan notes.

### Note 8 – Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate.

Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$450,812, \$408,467 and \$392,464, respectively, equal to the required contributions for each year.

### Note 9 – Risk Management

Des Moines County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

(continued)

# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 9 – Risk Management (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2007 were \$215,555.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

(continued)

# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 9 – Risk Management (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

### Note 10 – Employee Health Insurance Plan

The County, in conjunction with the City of Burlington, Iowa, the Southeast Iowa Regional Airport Authority (SIRAA) and other organizations, entered into an agreement as authorized in Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The County, the City, SIRAA and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. The plan is self insured up to a stop loss amount including aggregate of 125% of established covered claims and specific coverage with a \$75,000 attachment point. Coverage from an independent insurer is maintained for losses in excess of both the individual and aggregate stop loss amounts. Claims based on occurrences prior to July 1, 1983 remain insured under previous insurance policies. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of Des Moines County/City of Burlington Health Care Plan was \$773,873 at June 30, 2007. The plan had unaudited claims expense (net of reinsurance reimbursements) of \$882,162 for the plan year ended June 30, 2007. The plan had an unaudited reserve for incurred but unpaid claims of \$132,324 at June 30, 2007.

### Note 11 – Industrial Development Revenue Bonds

The County has issued a total of \$1,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the County.

# DES MOINES COUNTY

## Notes to Financial Statements (Continued) June 30, 2007

### Note 12 – Restatements

Beginning net assets for governmental activities has been restated to include equipment items purchased prior to July 1, 2006 that were not recorded. The net book value of these items was \$81,984 at July 1, 2006, as the cost was \$141,984 and accumulated depreciation was \$60,000.

The beginning balance of the agency fund for Drainage Districts has been restated to correctly report balances held at the beginning of the fiscal year ending June 30, 2007. An investment with a fair value of \$515,311 was reported as being held by the County on behalf of the Drainage Districts as of June 30, 2006 when in fact the County had no access or title to the investment.

# DES MOINES COUNTY

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds Required Supplementary Information Year Ended June 30, 2007

	Actual	Less Funds not Required to be Budgeted
Receipts:		
Property and other County tax	\$ 11,839,786	-
Interest and penalty on property tax	144,800	-
Intergovernmental	8,912,211	-
Licenses and permits	46,125	-
Charges for services	845,745	-
Use of money and property	732,968	-
Miscellaneous	593,804	-
Total receipts	<u>23,115,439</u>	<u>-</u>
Disbursements:		
Public safety and legal services	5,122,330	-
Physical health and social services	2,241,153	-
Mental health	3,655,531	-
County environment and education	1,701,109	-
Roads and transportation	3,650,217	-
Governmental services to residents	690,294	-
Administration	4,483,114	-
Non-program	198,327	-
Capital projects	1,770,792	-
Total disbursements	<u>23,512,867</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(397,428)	-
Other financing sources net	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(397,428)	-
Balance beginning of year, as restated	<u>8,683,852</u>	<u>-</u>
Balance end of year	<u><u>\$ 8,286,424</u></u>	<u><u>-</u></u>

See accompanying independent auditors' report

Net	Budgeted Amounts		Final to Actual
	Original	Final	Net Variance
11,839,786	11,698,827	11,698,827	140,959
144,800	149,500	149,500	(4,700)
8,912,211	8,490,029	8,490,029	422,182
46,125	32,325	32,325	13,800
845,745	894,226	894,226	(48,481)
732,968	431,774	431,774	301,194
593,804	1,496,345	1,496,345	(902,541)
23,115,439	23,193,026	23,193,026	(77,587)
5,122,330	5,262,092	5,459,092	336,762
2,241,153	2,561,617	2,561,617	320,464
3,655,531	4,267,740	4,267,740	612,209
1,701,109	1,819,324	1,819,324	118,215
3,650,217	3,813,917	3,814,317	164,100
690,294	734,170	734,170	43,876
4,483,114	5,009,960	5,165,960	682,846
198,327	199,718	199,718	1,391
1,770,792	3,045,700	4,150,700	2,379,908
23,512,867	26,714,238	28,172,638	4,659,771
(397,428)	(3,521,212)	(4,979,612)	4,582,184
-	1,005,000	1,005,000	(1,005,000)
(397,428)	(2,516,212)	(3,974,612)	3,577,184
8,683,852	6,299,423	4,607,274	8,549,216
8,286,424	3,783,211	632,662	12,126,400

# DES MOINES COUNTY

## Budgetary Comparison Schedule - Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 23,115,439	160,131	23,275,570
Expenditures	23,512,867	(709,433)	22,803,434
Net	(397,428)	869,564	472,136
Other financing sources, net	-	8,150	8,150
Beginning fund balances	8,297,621	(677,454)	7,620,167
Ending fund balances	\$ 7,900,193	200,260	8,100,453

See accompanying independent auditors' report

# DES MOINES COUNTY

## Notes to Required Supplementary Information- Budgetary Reporting June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except Agency Funds and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents functions disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,458,400. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the E911 Surcharge fund and disbursements in the Narcotics Task Force department exceeded the amounts appropriated.



## DES MOINES COUNTY

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
<u>Assets</u>			
Cash and pooled investments	\$ 20,700	330	23,225
Receivables:			
Accounts	-	-	-
Accrued interest	95	-	-
Due from other governments	2,148	-	-
Total assets	\$ 22,943	330	23,225
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ -	-	-
Renters' deposits	-	-	-
Salaries and benefits payable	21	-	-
Due to other governments	-	-	-
Total liabilities	21	-	-
Fund balances:			
Unreserved	22,922	330	23,225
Total liabilities and fund balances	\$ 22,943	330	23,225

See accompanying independent auditors' report

Transitional Apartments	Special Deputy Reserve Unit	Conservation Reserve	SEINT To Be Forfeited Funds	Total
9,820	189	41,104	101	95,469
-	250	-	-	250
-	-	-	97	192
-	-	-	-	2,148
9,820	439	41,104	198	98,059
479	1,720	62,589	-	64,788
1,200	-	-	-	1,200
-	-	-	-	21
-	-	-	-	-
1,679	1,720	62,589	-	66,009
8,141	(1,281)	(21,485)	198	32,050
9,820	439	41,104	198	98,059

## DES MOINES COUNTY

Combined Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Special Revenue Funds  
Year Ended June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Revenues:			
Intergovernmental	\$ -	-	21,079
Charges for service	7,993	-	-
Use of money and property	1,050	3	-
Miscellaneous	-	-	-
Total revenues	9,043	3	21,079
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	10,115	-	-
Capital projects	-	-	3,200
Total expenditures	10,115	-	3,200
Excess (deficiency) of revenues over (under) expenditures	(1,072)	3	17,879
Other financing sources (uses), net	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,072)	3	17,879
Fund balances beginning of year	23,994	327	5,346
Fund balances end of year	\$ 22,922	330	23,225

See accompanying independent auditors' report.

Transitional Apartments	Special Deputy Reserve Unit	Conservation Reserve	SEINT To Be Forfeited Funds	Total
-	-	20,850	-	41,929
-	-	-	-	7,993
24,279	-	-	1,944	27,276
-	2,017	-	4,351	6,368
24,279	2,017	20,850	6,295	83,566

-	5,448	-	22,233	27,681
17,905	-	-	-	28,020
-	-	80,409	-	83,609
17,905	5,448	80,409	22,233	139,310

6,374	(3,431)	(59,559)	(15,938)	(55,744)
-	-	11,500	(36,544)	(25,044)

6,374	(3,431)	(48,059)	(52,482)	(80,788)
1,767	2,150	26,574	52,680	112,838
8,141	(1,281)	(21,485)	198	32,050

## DES MOINES COUNTY

## Combining Schedule of Fiduciary Assets and Liabilities

## Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments					
County Treasurer	\$ -	3,508	1,021,155	323,262	19,397
Other County officials	245,653	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	1,059	2,366	92,136	5,626
Succeeding year	-	192,000	475,000	17,457,000	1,084,000
Accounts	259	-	-	-	-
Special assessments:					
Current	-	-	-	-	-
Future	-	-	-	-	-
Drainage assessments:					
Current	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 245,912</b>	<b>196,567</b>	<b>1,498,521</b>	<b>17,872,398</b>	<b>1,109,023</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	677	-	-
Salaries and benefits payable	-	-	6,252	-	-
Due to other governments	124,111	196,567	1,387,475	17,872,398	1,109,023
Trusts payable	121,801	-	-	-	-
Compensated absences	-	-	104,117	-	-
<b>Total liabilities</b>	<b>\$ 245,912</b>	<b>196,567</b>	<b>1,498,521</b>	<b>17,872,398</b>	<b>1,109,023</b>

See accompanying independent auditors' report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
264,831	1,857	9,261	733,250	140,594	108,495	2,625,610
-	-	-	-	-	-	245,653
44,596	1,767	-	-	-	20	147,570
13,592,000	215,000	-	-	-	8,000	33,023,000
-	-	-	-	-	27,838	28,097
-	-	70,327	-	-	-	70,327
-	-	79,731	-	-	-	79,731
-	-	-	-	3,673	-	3,673
-	-	-	-	-	540	540
-	-	-	-	1,024	7,485	8,509
13,901,427	218,624	159,319	733,250	145,291	152,378	36,232,710
-	-	-	-	-	5,414	6,091
-	-	-	-	-	3,165	9,417
13,901,427	218,624	159,319	733,250	145,291	133,959	35,981,444
-	-	-	-	-	-	121,801
-	-	-	-	-	9,840	113,957
13,901,427	218,624	159,319	733,250	145,291	152,378	36,232,710

## DES MOINES COUNTY

## Combining Schedule of Changes in Fiduciary Assets and Liabilities

## Agency Funds

Year Ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year, as restated (see note 12)	\$ 194,982	196,762	1,414,993	18,063,170	1,104,686
Additions:					
Property and other county tax	-	193,518	479,316	17,628,686	1,091,352
E-911 surcharge	-	-	-	-	-
State tax credits	-	8,898	21,995	804,705	49,089
Office fees and collections	851,768	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	1,172,768	-	-	-	-
Miscellaneous	-	-	1,069	12,348	-
Total additions	2,024,536	202,416	502,380	18,445,739	1,140,441
Deductions:					
Agency remittances:					
To other funds	454,201	-	-	-	-
To other governments	377,047	202,611	418,852	18,636,511	1,136,104
Trusts paid out	1,142,358	-	-	-	-
Total deductions	1,973,606	202,611	418,852	18,636,511	1,136,104
Balances end of year	\$ 245,912	196,567	1,498,521	17,872,398	1,109,023

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Drainage Districts	Other	Total
13,608,562	212,753	194,660	737,208	323,939	104,890	36,156,605
13,229,143	230,033	-	-	-	4,292	32,856,340
-	-	-	-	-	166,869	166,869
514,739	9,030	-	-	-	198	1,408,654
-	-	-	-	-	7,993	859,761
-	-	-	8,095,150	-	-	8,095,150
-	-	58,437	-	632,265	-	690,702
-	-	-	-	-	-	1,172,768
-	-	-	-	45,724	1,014,233	1,073,374
13,743,882	239,063	58,437	8,095,150	677,989	1,193,585	46,323,618
-	-	-	255,517	-	28	709,746
13,451,017	233,192	93,778	7,843,591	856,637	324,531	43,573,871
-	-	-	-	-	821,538	1,963,896
13,451,017	233,192	93,778	8,099,108	856,637	1,146,097	46,247,513
13,901,427	218,624	159,319	733,250	145,291	152,378	36,232,710



## DES MOINES COUNTY

Schedule of Revenues By Source and Expenditures by Function -  
All Governmental Funds  
For the Last Four Years

		Modified Accrual Basis			
		2007	2006	2005	2004
Revenues:					
Property and other county tax	\$	10,336,903	10,769,297	10,642,839	9,198,165
Local option sales tax		1,628,126	1,342,717	1,363,326	1,365,240
Interest and penalty on property tax		146,154	130,631	115,554	182,952
Intergovernmental		8,985,811	8,508,380	8,913,042	7,763,991
Licenses and permits		46,448	42,840	43,784	43,085
Charges for service		878,146	972,357	827,429	892,684
Use of money and property		727,814	527,215	235,286	144,012
Miscellaneous		526,168	598,159	370,840	422,175
Total	\$	23,275,570	22,891,596	22,512,100	20,012,304
Expenditures:					
Operating:					
Public safety and legal services	\$	5,119,537	4,705,552	4,681,993	4,584,761
Physical health and social services		2,193,961	2,067,305	2,161,440	2,137,665
Mental health		3,692,161	3,629,867	3,200,582	3,334,802
County environment and education		1,714,377	1,015,426	975,386	852,565
Roads and transportation		3,026,353	4,334,384	3,339,170	3,235,696
Governmental services to residents		702,324	909,301	682,478	597,698
Administration		4,335,439	4,678,468	3,621,634	3,587,116
Non-program		-	12,750	-	-
Debt service		198,327	140,324	16,871	-
Capital projects		1,820,955	1,074,528	2,948,601	1,379,729
Total	\$	22,803,434	22,567,905	21,628,155	19,710,032

See accompanying independent auditors' report.

## DES MOINES COUNTY

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for			
Food Stamp Program	10.561		\$ 30,403
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	05-CF-010	564,196
U.S. Department of the Interior:			
Treasurer of the State:			
Payments in Lieu of Taxes	15.226		18,998
U.S. Department of Justice:			
Iowa Department of Justice - Crime Victim Assistance Division:			
Crime Victim Assistance	16.575		13,696
Governor's Office of Drug Control Policy:			
Part E- Developing, Testing, and Demonstrating			
Promising New Programs	16.541		10,000
Edward Byrne Memorial Formula Grant Program	16.579		93,574

(continued)

See accompanying independent auditor's report.

## DES MOINES COUNTY

Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 07-4, Task #6	14,353
State and Community Highway Safety	20.600	PAP 07-163, Task #22	122
State and Community Highway Safety	20.600	PAP 06-163, Task #20	576
			<u>15,051</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		41,229
Refugee and Entrant Assistance - State			
Administrated Programs	93.566		70
Child Care and Development Block Grant	93.575		15
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		9,160
Foster Care - Title IV-E	93.658		22,569
Adoption Assistance	93.659		4,598
State Children's Insurance Program	93.767		272
Medical Assistance Program	93.778		53,712
Social Services Block Grant	93.667		<u>27,102</u>
Social Services Block Grant	93.667		<u>213,559</u>
			<u>240,661</u>
Iowa Department of Public Health			
Project Grants and Cooperative Agreements for			
Tuberculosis Control Programs	93.116	Mou-2006 TB18	<u>1,000</u>
Immunization Grants	93.268		8,928
Immunization Grants	93.268		6,966
			<u>15,894</u>
Southeast Iowa Area Agency on Aging:			
Special Programs for the Aging-Title III, Part D -			
Disease Prevention and Health Promotion Services	93.043	IIID/IIIB Prev. Health	<u>11,536</u>

(continued)

See accompanying independent auditor's report.

## DES MOINES COUNTY

Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5886BT05	28,435
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5887BT05	417,736
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5886BT11	125,715
Centers for Disease Control and Prevention- Investigations and Technical Assistance	93.283	5887BT11	186,803
			<u>758,689</u>
HIV Prevention Program	93.940	5886AP08	4,492
HIV Prevention Program	93.940	5887AP06	3,429
			<u>7,921</u>
Preventive Health and Health Services Block Grant	93.991	5886AP08	371
Preventive Health and Health Services Block Grant	93.991	5887AP06	163
			<u>534</u>
Washington County Public Health:			
Maternal and Child Health Services Block Grant to the States	93.994	5886MH30	6,727
Maternal and Child Health Services Block Grant to the States	93.994	5885MH30	22,652
			<u>29,379</u>
Emergency Management Performance Grants	97.042		<u>22,013</u>
Total			<u>\$ 1,965,170</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Des Moines County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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## TD&T Financial Group, P.C.

Additional Offices:  
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Sigourney

Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Officials of Des Moines County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 21, 2008. We conducted our audit in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Des Moines County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Des Moines County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Des Moines County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Des Moines County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Des Moines County's financial statements that is more than inconsequential will not be prevented or detected by Des Moines County's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Des Moines County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Des Moines County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Des Moines County responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Des Moines County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Des Moines County and other parties to whom Des Moines County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and the assistance extended to us by personnel of Des Moines County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*TD&T Financial Group, P.C.*

Mt. Pleasant, Iowa  
March 21, 2008



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Sigourney

### Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Officials of Des Moines County:

#### Compliance

We have audited the compliance of Des Moines County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2007. Des Moines County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of Des Moines County's management. Our responsibility is to express an opinion on Des Moines County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Des Moines County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Des Moines County's compliance with those requirements.

In our opinion, Des Moines County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of Des Moines County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Des Moines County's internal control over compliance with requirements that could have a direct and material effect

on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Des Moines County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We did not note any deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We noted no material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Des Moines County and other parties to whom Des Moines County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

*TD&T Financial Group, P.C.*

Mt. Pleasant, Iowa  
March 21, 2008



# DES MOINES COUNTY

## Schedule of Findings and Questioned Costs Year Ended June 30, 2007

### **Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) One significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. This significant deficiency was not considered a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over a major program were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to major programs.
- (f) The major programs were as follows:
  - CFDA Number 14.228 – Community Development Block Grants/State's Program.
  - CFDA Number 93.283 – Centers for Disease Control and Prevention-Investigations and Technical Assistance.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Des Moines County did not qualify as a low-risk auditee.

## DES MOINES COUNTY

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

#### **Part II: Findings Related to the Financial Statements:**

##### **SIGNIFICANT DEFICIENCIES:**

II-A-07      Financial Reporting – During the audit, we identified material amounts of payables improperly accrued in the Mental Health fund. Adjustments were subsequently made by the County to properly exclude these amounts from the financial statements.

Recommendation – The County should ensure all payables are properly included or excluded from the County's financial statements.

Response – We withheld payment until the jobs were completed, but failed to cancel the accrual of the claims. We will watch for this in the future.

Conclusion – Response accepted.

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

#### **Part III: Findings and Questioned Costs For Federal Awards:**

##### **INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

##### **SIGNIFICANT DEFICIENCIES:**

No matters were reported.

# DES MOINES COUNTY

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### **Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-07 Certified Budget – Disbursements in the E-911 Surcharge fund exceeded the amount budgeted. Disbursements in the Narcotics Task Force department exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – E-911 was notified of the need for a budget amendment on several occasions, but failed to produce one. Narcotics Task Force was transferred to the City of Burlington and went over budget from the payout of the account balances. We will try to get the budgets amended before the money is spent in the future.

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose were noted. Each of these expenditures was made from the Mental Health Fund. These expenditures are detailed as follows:

<u>Date</u>	<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
6/19/07	Brueck Construction	50% payment on sunroom	\$ 27,788
8/7/07	Brueck Construction	50% payment on sunroom	27,787
6/19/07	Standard of Beaverdale	16 dividers, 16 corners, 6 caps for Veterans Affairs Office	410
6/07	Standard of Beaverdale	Storage closet and chair rail for offices	12,035
6/5/06	Lybarger Construction	Fence	3,717
6/19/07	Lybarger Construction	232' Kingston privacy fence with 2 gates; 46.5' Cascade traditional picket fence with 2 double gates	18,642

## DES MOINES COUNTY

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

5/1/07	Design America	12 chairs, 3 ottomans	9,512
		1 <sup>st</sup> payment	
6/19/07	Design America	2 <sup>nd</sup> payment	6,852
6/5/07	Brockway Co. Inc	Security panels for basement of RCF – locking storage unit	6,283
11/6/06	380 Degree Graphics	5 identity signage-down payment	7,600
6/5/07	380 Degree Graphics	5 identity signage	7,600
1/15/08	380 Degree Graphics	Cottonwood tree and gilded letters	2,800

The following was paid for goods that were never received, according to County personnel:

6/21/05	Burlington Banner & Sign	Posts, rail, signs	2,981
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One set of furniture purchased from Design America was not used for over a year after purchase. The signage job was not fully completed. As noted in IV-D-07 the transactions for the signage were completed with a related party.

Recommendation – The Board of Supervisors should determine the public purpose served by each County expenditure requested before approving.

Response – The new CPC is aware of these problems and it will not happen again.

Conclusion – Response accepted.

## DES MOINES COUNTY

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

IV-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-07 Business Transactions – We noted business transactions between the County and a related party.

<u>Name and Business Connection</u>	<u>Transaction Description</u>	<u>Total Amount</u>
380 Degree Graphics (daughter of Board member Bob Beck)	Signage for Mental Health Facility	\$18,000

These transactions may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – The Board member had consulted with County Attorney and was advised that with full disclosure, there would be no problem. Beck abstained on voting for payment of these claims. Construction is complete on new care facility, so this will not happen again.

Conclusion – Response accepted.

IV-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.

IV-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the Board went into closed session on May 24, May 31, June 7, June 26, and June 28, 2007 to discuss matters relating to the County. The minutes record did not document the specific exemption for closed session under Chapter 21.5 of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure all closed meetings comply with Chapter 21 of the Code of Iowa.

Response – In the future, the Auditor will note the specific code when referring to a closed session.

Conclusion – Response accepted.

# DES MOINES COUNTY

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

IV-G-07 Deposits and Investments – No instances of non-compliance with deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

The office lacks proper segregation of duties as the same individual is responsible for issuing receipts, preparing deposits, recording cash receipts, reconciling bank accounts, and opening the mail.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agricultural Extension official should review operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – With limited staff, we segregate responsibilities the best we can. With a small office it is sometimes hard to separate certain office functions.

Conclusion – Response accepted.

IV-J-07 Deficit Fund Balances – The Special Deputy Reserve Unit and Conservation Reserve Funds had deficit fund balances as of June 30, 2007. The deficit fund balances were caused by accounts payable balances exceeding total asset balances as of June 30, 2007.

Recommendation – Cash balances of each fund should be monitored to avoid deficit spending of any given fund.

Response – We will watch for this in the future. The accounts now have positive balances.

Conclusion – Response accepted.

# DES MOINES COUNTY

## Audit Staff

This audit was performed by:

TD&T Financial Group, P.C.  
Certified Public Accountants  
Mt. Pleasant, Iowa

### Personnel:

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